

ANALYSIS OF THE WATER DEVELOPMENT TRUST FUND FOR THE 2003-05 AND 2005-07 BIENNIUMS (REFLECTING THE 2005-07 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2003-05 Biennium	2005-07 Biennium
Beginning balance	\$9,409,511	\$12,677,816
Add estimated revenues		
Transfers to date from tobacco settlement trust fund	\$10,457,382 ¹	
Remaining transfers from tobacco settlement trust fund	10,337,430	\$20,674,860
Reimbursement from bonding proceeds	13,021,452 ⁵	
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Total estimated revenues	\$33,816,264 ²	\$20,674,860
Total available	\$43,225,775	\$33,352,676
Less estimated expenditures		
Transfer to the general fund	\$10,070,373 ³	\$0
State Water Commission		
Water development projects and operations	13,021,452 ⁴	8,370,601 ⁶
Bond payments	5,424,773 ^{4,7}	14,332,160 ⁷
Devils Lake operations	0	2,091,724 ⁸
Intern salaries for cloud modification project	0	69,388 ⁹
Repayment of 2001-03 loans used for the state's matching share of federal disaster relief funding		
University of North Dakota (HB 1003)	1,193,146	
North Dakota State University (HB 1003)	262,928	
Parks and Recreation Department (SB 2021)	575,287	
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Total estimated expenditures	\$30,547,959	\$24,863,873 ¹⁰
Estimated ending balance	<u>\$12,677,816</u>	<u>\$8,488,803</u>

¹As of December 2004, four transfers have been made from the tobacco settlement trust fund totaling \$10,457,382. Total transfers of \$58,399,098 have been made to date from the tobacco settlement trust fund to the water development trust fund.

²Revenues - Interest earned on the water development trust fund is deposited in the state general fund. The tobacco settlement revenues for the water development trust fund were estimated to be \$23,072,046 for the 2003-05 biennium at the end of the 1999 legislative session. The decrease in the amount of revenues collected from the tobacco settlement trust fund of \$2,277,234 is the result of volume adjustments made to payments received. A volume adjustment is an adjustment made to a settlement payment to reflect increases or decreases in tobacco manufacturers' operating income from cigarette sales. The original estimate was calculated before the anticipated effect of volume adjustments on tobacco settlement collections was determined. The revenues for the water development trust fund originally estimated during the 1999 legislative session and the estimated collections as revised by the Office of Management and Budget to reflect anticipated volume adjustments are:

Biennium	1999 Original Estimated Collections	Office of Management and Budget Revised Estimated Collections
1999-2001	\$25,917,197	\$23,805,353
2001-03	27,514,610	24,136,363
2003-05	23,072,046	20,794,812
2005-07	23,072,046	20,674,860
2007-17 (\$37,003,986/\$33,159,270 per biennium)	185,019,930	165,796,350
2017-25 (\$26,366,170/\$23,626,724 per biennium)	105,464,680	94,506,896
Total	\$390,060,509	\$349,714,634

³The 2003 Legislative Assembly authorized, in Section 15 of Senate Bill No. 2022 (2003), a transfer of \$10,070,373 from the water development trust fund to the general fund. As of December 2004, \$5,035,186 or one-half of the total has been transferred to the general fund. The 2003-05 biennium appropriation for the State Water Commission administrative expenses of \$9,385,396 is from the general fund.

⁴Senate Bill No. 2022 (2003) includes \$32,946,225 from the water development trust fund to the State Water Commission. The funding is for bond payments (approximately \$5.4 million), reimbursement to the State Department of Health for nonpoint sources of pollution control expenses (up to \$300,000), and other water control projects (approximately \$27.2 million). The Emergency Commission and Budget Section approved a transfer of \$14.5 million of spending authority within the special funds line item from the water development trust fund to the resources trust fund for water projects. The transfer of spending authority was requested to more accurately reflect the actual July 1, 2003, beginning balances and the corresponding 2003-05 biennium appropriation of each of the funds. Actual expenditures during the 2001-03 biennium were higher than projected from the water development trust fund and less than projected from the resources trust fund (the July 1, 2003, beginning balance of the water development trust fund was estimated to be \$23.3 million at the close of the 2003 legislative session). The adjusted spending authority from the water development trust fund for water development projects (\$13,021,452) and bond payments (\$5,424,773) is \$18,446,225.

⁵The State Water Commission plans to reimburse the water development trust fund for 2003-05 biennium expenditures from bond proceeds prior to the end of the 2003-05 biennium. Actual water project expenditures of \$7.6 million have been incurred from the water development trust fund as of December 15, 2004.

⁶The executive budget recommends that the administrative and support services division of the State Water Commission be funded from the general fund. The administrative expenses of the water and atmospheric resources division will be funded entirely from federal and special funds (primarily the water development trust fund). The administrative expenses included in the water and atmospheric resources division will be approximately \$7.9 million. The remaining spending authority of approximately \$470,000 will be available for water projects or if necessary costs associated with the shop building.

⁷Senate Bill No. 2188 (1999) (North Dakota Century Code (NDCC) Section 61-02.1-02) authorized the State Water Commission to borrow up to \$84.8 million for state water projects to be repaid from the water development trust fund. In March 2000 the State Water Commission issued bonds totaling \$27.5 million--\$23 million for Grand Forks flood control and \$4.5 million for the Southwest Pipeline Project. The 2003 Legislative Assembly authorized, in Senate Bill No. 2022, the State Water Commission to issue up to \$60 million in bonds during the 2003-05 biennium. Bond payments on the March 2000 issuance for the 2003-05 biennium will be approximately \$5.4 million. The total bond payments for the 2005-07 biennium, including anticipated principal and interest payments on the \$60 million bonds issued during the 2003-05 biennium, will be approximately \$14.3 million.

⁸The executive budget recommends two additional FTE positions and increases special funds spending authority for salaries and wages (\$160,924), temporary salaries (\$26,400), and operating expenses (\$1,904,400) for Devils Lake Outlet operations. The outlet is anticipated to be completed during the 2003-05 biennium and will require funding for staffing and operating costs during the 2005-07 biennium. The State Water Commission anticipates this project will be paid for from the water development trust fund.

⁹The executive budget recommends special funds spending authority for temporary wages of 10 seasonal intern pilot positions employed during the North Dakota cloud modification project. The State Water Commission anticipates this project will be paid for from the water development trust fund.

¹⁰Section 5 of House Bill No. 1021 (2005) provides a total of \$24,863,873, or any additional amount that becomes available, from the water development trust fund for the purpose of defraying the expenses of the State Water Commission.

FUND HISTORY

North Dakota Century Code Section 54-27-25, created by 1999 House Bill No. 1475, established a water development trust fund to be used for the long-term water development and management needs of the state. This section creates a tobacco settlement trust fund for the deposit of all tobacco settlement money obtained by the state. Money in the fund must be transferred as follows, within 30 days of its deposit in the fund:

- Ten percent to the community health trust fund.
- Forty-five percent to the common schools trust fund.
- Forty-five percent to the water development trust fund.

North Dakota Century Code Section 61-02.1-04, created by 1999 Senate Bill No. 2188, provides that the principal and interest on bonds issued for flood control projects, the Southwest Pipeline Project, and an outlet to Devils Lake must be repaid with money appropriated from the water development trust fund.